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TELEGRAM

May 10, 2003

To: No Action Addressee
Action: Unknown
From: AMEMBASSY ABU DHABI (ABU DHABI 2274 - ROUTINE)
TAGS: ELAB, PREL, PHUM, PGOV, SOCI, CVIS
Captions: None
Subject: (SBU) INHERENT CONTRADICTIONS OF THE UAE LABOR MARKET
Ref: None

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ACTION: ECON
INFO: P/M DCM POL AMB
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INFO: FCS

DISSEMINATION: ECON
CHARGE: PROG

APPROVED: CDA: RAALBRIGHT
DRAFTED: ECON: GARANA
CLEARED: A/DCM: TEWILLIAMS

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FM AMEMBASSY ABU DHABI
TO RUEHC/SECSTATE WASHDC 9882
INFO RUCPDOE/USDOE WASHDC
RUEHC/DEPT OF LABOR WASHDC
RUEHSM/GCC COLLECTIVE
RUEHTU/AMEMBASSY TUNIS 0510

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SENSITIVE

STATE FOR NEA/ARP, NEA/RA, DRL AND EB/CBA
STATE PASS OPIC/OPIC INTERNATIONAL POLICY DEPARTMENT
FOR VIRGINIA GREEN AND CONSTANCE SHINN
AMEMBASSY TUNIS HOLD FOR FSI: OLIVER JOHN
USDOE FOR 4530/ITA/MAC/ONE/DGUGLIELMI,
4520/ITA/MAC/ONE/CLOUSTAUNAU,
4500/ITA/MAC/DAS/WILLIAMSON,
3131/CS/OIO/ANESA

E.O. 12958: N/A
TAGS: [ELAB](#) [PREL](#) [PHUM](#) [PGOV](#) [SOCI](#) [CVIS](#) [TC](#)
SUBJECT: (SBU) INHERENT CONTRADICTIONS OF THE UAE
LABOR MARKET

¶1. (SBU) In a recent address to the Indian Business
and Professional Group, UAE Labor Undersecretary

Khalid Al-Khazraji said all the right things. First, he confirmed that the UAE will continue to import multiethnic labor, primarily from the Indian subcontinent (something that no doubt went down well with his hosts), but added that the UAE would seek to diversify away from over reliance on any one labor source. He went on to say that the government would require higher educational qualifications for visa recipients and generally make work permits more difficult to obtain for unskilled workers. Second, Al-Khazraji reiterated the government's commitment to increasing employment for nationals in the private sector -- sixty percent of whom are under the age of 23 and will be entering the labor market in the near future. Al-Khazraji estimated that 10,000 nationals would graduate and enter the work force this year and he expected that all would find jobs -- without the sort of coercive nationalization programs for the private sector prevalent in other GCC countries.

12. (SBU) Yet, despite Al-Khazraji's focus on a policy of importing "high value" skilled expatriate labor, the reality is quite different. Last year, the UAE issued 330,000 work permits -- a six percent increase from the previous year -- and most were for low-skill construction and maintenance jobs (45% went to Indians). Though the UAE has heavily publicized an amnesty encouraging illegal laborers to leave the country, and trumpets its future economy as being cutting edge high-tech and modern, it continues to remain heavily dependent upon low-wage, unskilled workers.

13. (SBU) With regard to increasing the number of Emiratis in the private sector, there is a clear and abiding divergence between what nationals expect and what their skills can reasonably command in an open economy. To its credit, the UAEG has opened a number of colleges of higher technology to develop a more sophisticated national workforce, focusing more on developing useful skill sets in young Emiratis rather than forcing private employers to hire nationals. However, Emiratis who seek jobs in the private sector expect starting salaries of 8,000-10,000 dirhams a month (? \$2100-\$2700) upon graduation in a society where they pay no taxes, and receive free health care, car benefits, and housing subsidies (a comparable U.S. wage would be \$50,000-\$60,000). Given their lack of experience and higher salary demands, businesses understandably prefer to hire better educated, more seasoned expatriates willing to work harder for less money and who can more easily be fired if things don't work out. No matter how good a job the UAE does in training its people, it is distinctly unlikely that their salary expectations will ever be reached in the marketplace absent government intervention.

Albright